

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 948 - SB 1091

March 17, 2009

SUMMARY OF BILL: Requires the Commissioner of Education to withhold BEP funds from local education agencies (LEAs) that are found by the Comptroller to have violated local purchasing and procurement practices or other competitive request for proposal (RFP) regulations.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - LEAs that are found in violation will have their state education money withheld. Annual statewide state government education expenditures are approximately \$3,514,000,000. The amount that is withheld will be dependent upon the amount of money that individual systems receive. The amount for all LEAs who may be affected may exceed \$875,000,000 if withheld yearly and average \$72,916,700 per month.

Assumptions:

- Drawdown of federal dollars will not be impacted. LEAs receiving federal dollars will still have to maintain their maintenance of effort to receive those dollars.
- The amount of money that is withheld will also be dependent upon whether an LEA's entire yearly amount is withheld or if only the monthly payment is withheld.
- It is unclear whether LEAs will have their state money withheld until such time as they go back into compliance and the money will be refunded or if the money will be permanently taken.
- According to the Comptroller, 35 county LEAs had findings in their 2007 audits related to violation of local purchasing agreements. This is approximately 26 percent of all LEAs (136).
- Approximately \$3,500,000,000 is spent in state BEP expenditures annually. The total yearly amount for 26 percent of that payment is approximately \$875,000,000. Broken down into monthly payments, the average total amount is approximately \$72,916,667 per month.

- If money that is withheld is not restored, the Department of Education's reversion to the General Fund will increase.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a more stylized, connected manner to the middle initial "W." and the last name "White".

James W. White, Executive Director

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